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No. 16-712

In the Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC, PETITIONER,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.,

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* EVOLUTIONARY INTELLIGENCE LLC SUPPORTING PETITIONER

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QUESTION PRESENTED

Does *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violate the Constitution by extinguishing private property rights through a non-Article III forum without a jury?

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INTRODUCTION AND INTERESTS OF *AMICI*[1]

As Petitioner shows, Congress was dismissive of patentees' Seventh Amendment right to jury trial when it authorized the Patent Trial and Appeals Board (PTAB) to displace civil juries from their traditional fact-finding role in cases seeking to extinguish private property. Unfortunately, such disregard of patentees' right to trial by jury also runs rampant throughout the lower federal courts.

Amicus Evolutionary Intelligence LLC was the victim of such disregard in a recent district court decision finding two of its patents ineligible for protection on "abstractness" grounds. In the PTAB, those patents had survived nine *inter partes* reviews and a full trial. But in subsequent litigation, the district court concocted key factual conclusions out of whole cloth, then used those conclusions as the basis for invalidating the patents and thus dismissing *amicus*'s infringement suit against several corporate behemoths (including Apple, Facebook, and Sprint) *on the pleadings*. Unfortunately, the Federal Circuit affirmed based on the district court's made-up factual conclusions.

Evolutionary Intelligence is planning to file a petition for certiorari in this Court, challenging the lower courts' decisions on (among other things) Seventh Amendment grounds. The company therefore has a strong interest in this Court's resolution of the Seventh Amendment issue presented in this case, as it could substantially affect the outcome of its own case in this Court.

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[1] No one other than *amicus* and its counsel authored any part of this brief or made a monetary contribution to fund its preparation or submission. All parties have consented to its filing in communications on file with the Clerk.

SUMMARY OF ARGUMENT

As Petitioner's brief makes clear, the Question Presented in this case includes two independent components: (1) whether *inter partes* review by the PTAB violates the constitutional separation of powers between the Executive and Judicial Branches, and (2) whether Congress's decision to assign to the PTAB mandatory fact-finding functions traditionally undertaken by civil juries violates patentees' Seventh Amendment rights. See Petition i. While *amicus* agrees with Petitioner that *inter partes* review is unconstitutional for both reasons, *amicus* urges the Court—whatever it does with the separation-of-powers issue—to rule for Petitioner on its Seventh Amendment claim.

I. Such a ruling is necessary to address and correct widespread violations of patentees' Seventh Amendment rights throughout the patent system. For example, in the wake of this Court's two recent decisions on patent eligibility— *Alice Corp. Pty. Ltd.* v. *CLS Bank International*, 134 S. Ct. 2347 (2014), and *Mayo Collaborative Services* v. *Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012)—district courts have routinely eliminated the right to a jury trial on factual issues bearing on that issue. As in *amicus*'s own pending case, they have done that by issuing increasingly routine "pleading dismissals" of infringement actions based on the alleged "abstractness" of the claimed invention. And, as in *amicus*'s case, those decisions are usually affirmed by the Federal Circuit—apparently because many of its judges believe such resolutions are more efficient than jury trials.

But efficiency is no answer to a Seventh Amendment objection. And, just as invalidation via *inter partes* review violates a patent holder's Seventh

Amendment right to jury trial, so too does invalidation via judicial fact-finding on questions bearing on a claimed invention's eligibility for patent protection.

An invention's eligibility for patenting under Section 101 of the Patent Code, 35 U.S.C. 101, centers primarily on whether it is "useful," as opposed to a mere statement of a law of nature or, as in *Mayo* and *Alice*, an "abstract" principle. And the history of the founding and immediate post-founding eras establishes that the issue of usefulness—and any specific factual issues bearing on that issue—is fact question for the jury. See, *e.g.*, *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996) (noting historical standard for determining scope of right to jury trial). Accordingly, like the invalidity issues Congress authorized the PTAB to decide in the statutory scheme at issue here, factual issues bearing on the "usefulness" of a claimed invention are subject to the patentee's Seventh Amendment right to jury trial.

II. A decision from this Court abrogating PTAB invalidations based on their violation of the Seventh Amendment will go a long way to dispel the widespread misunderstanding in the lower federal courts of how that Amendment applies in patent cases generally. Indeed, the principle that the Seventh Amendment requires a jury to resolve factual questions of the sort that would have been tried to a jury before, during and shortly after the founding era is sufficient to resolve this case. As this Court explained in *Markman*, "there is no dispute that infringement cases"—including issues related to validity—"today must be tried to a jury, as their predecessors were more than two centuries ago." 517 U.S. at 377. And although claim construction is a legal question within the exclusive province of the court, *id.* at 372, 388, that can only

mean that factual issues are reserved for a jury when parties request one. Therefore, just as it violates the Seventh Amendment to subject patentees to summary dismissal based on eligibility facts concocted by a district judge, so too it violates that Amendment to compel patentees to submit to *inter partes* review of patent validity with federal government officers sitting as triers of fact.

A decision to that effect will send a powerful signal to the entire patent bench and bar that, regardless of the perceived efficiency of lodging fact-finding responsibility elsewhere, patentees, like all other holders of property rights, are fully protected by the Seventh Amendment.

ARGUMENT

I. The Seventh Amendment issue embedded in the Question Presented has serious implications for other areas of patent law.

As Petitioner explains, *inter partes* review by the Patent and Trademark Office over a patentee's objection violates the Seventh Amendment right to trial by jury. Pet. Br. i, 50–58. This court should rule for Petitioner on that ground because resolving the Seventh Amendment issue will help prevent similar Seventh Amendment violations in other areas of patent law. For example, in the wake of *Alice* and *Mayo*, judges have routinely violated the Seventh Amendment by depriving patentees of jury trials on factual issues bearing on patent eligibility.

A. Post-*Alice*, district courts have routinely invalidated patents based on their own views of disputed factual issues, thereby taking those issues away from juries.

For over 160 years,[2] this Court has recognized that the requirement that a claimed invention be "useful" within the meaning of 35 U.S.C. 101 precludes patents on certain categories of innovations, including "abstract ideas." *Alice*, 134 S. Ct. at 2354; *accord, e.g.*, *Gottschalk* v. *Benson*, 409 U.S. 63, 67 (1972) (contrasting "useful structures" with "abstract principles"). To separate "useful" inventions from abstract ideas, *Alice* mandates a two-step analysis. *Alice*, 134 S. Ct. at 2356–2357. The first step is to ask whether the claimed invention contains or is based upon an abstract idea. *Id.* at 2355. If it does, the second step is to

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[2] See *O'Reilly* v. *Morse*, 56 U.S. (15 How.) 62, 112–120 (1854); *Le Roy* v. *Tatham*, 55 U.S. (14 How.) 156, 174–175 (1853).

determine whether the patent claims nevertheless contain an "'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application"—that is, something that is truly "useful." *Id.* at 2357 (quoting *Mayo*, 132 S. Ct. at 1289). Applying this framework, the court in *Alice* concluded that the patent at issue was based on an abstract idea, *id.* at 2355–2357, and that its implementation of the idea was *not* sufficiently innovative to be useful and, hence, patentable. *Id.* at 2357–2360.

1. Both steps of the *Alice* and *Mayo* analysis—*i.e.*, (1) whether an invention is based on an abstract idea and (2) whether any abstract idea is implemented in a sufficiently innovative way—frequently entail disputed factual questions on issues related to the invention's usefulness. These disputes are properly presented to a jury when parties demand one, rather than to a judge, and in any event must be resolved through fact-finding rather than at the complaint stage. But since *Alice*, numerous district courts have misinterpreted those decisions as allowing them to ignore these basic rules.

A recent decision invalidating *amicus*'s own patent exemplifies the problem. In *Evolutionary Intelligence, LLC* v. *Sprint Nextel Corp.*, the defendants moved for dismissal of *amicus*'s patent infringement suit (or for judgment on the pleadings) on the ground of patent invalidity, arguing that the patent claimed non-patentable abstract ideas. 137 F. Supp. 3d 1157 (N.D. Cal. 2015). The district court granted the motion by determining as a *factual* matter that the invention— methods for improving the processing of information through dynamic updating, based upon events occurring in locations and times external to a computer or

smart phone—were not "useful" under the *Alice* framework. *Id.* at 1164. But the court's factual conclusions resolved disputed issues that should have been resolved by a jury or, at a minimum, by summary judgment after discovery.

- The core practical innovation of *amicus*'s patent is that (among other things) it enables a cell phone traveling through different neighborhoods or cities to be advised of, say, the ten closest restaurants currently serving breakfast. The district court analogized this technology to an undisputedly non-patentable guidebook with a list of restaurants and opening hours. *Id.* at 1167. But a reasonable jury could have concluded that, as a factual matter, the "static" information in a guidebook is fundamentally different from—and far less useful than—the "dynamic" information provided by a list that is tailored, through real-time interactions with sources external to the apparatus, to the consumer's needs.

- Likewise, the district court in *Evolutionary Intelligence* claimed that calculating the effects of the historical interactions of globally distributed software components in order to provide better search results was no different from the supposed practice—neither defined by the court nor mapped to the steps of the claim limitations—of a "local barista or bartender who remembers a particular customer's favorite drink." *Id.* Here again, a reasonable jury could find the analogy inapt: Can a barista really be cognizant of the many unknown events happening at unknowable times, in cities around the

> world? Or is the four-function calculator non-patentable merely because those same baristas and bartenders could add, subtract, multiply and divide in their head?

3. Not surprisingly, other courts have squarely rejected this kind of logic, even after *Alice*. See, *e.g.*, *Wavetronix LLC* v. *Iteris, Inc.*, No. A-14-CA-970-SS, 2015 U.S. Dist. LEXIS 6993, at *17 (W.D. Tex. Jan. 22, 2015). But many have embraced it by determining patent invalidity as a factual matter based on the pleadings alone—thereby stripping disputed factual issues from the jury and letting a judge decide them instead.[3] Those decisions go far beyond the judicial role contemplated by *Alice* and *Mayo*, where the lower court decisions had been reached on summary judgment.[4]

Such "pleading dismissals," made in the face of disputed, material factual questions bearing on patent eligibility, have become widespread. Since *Alice*, over

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[3] See, *e.g.*, *OIP Technologies, Inc.* v. *Amazon.com, Inc.*, 788 F.3d 1359, 1364 (Fed. Cir. 2015) (affirming grant of motion to dismiss based on analogy between automated user-specific price adjustment and manual price adjustment by store owners); *Appistry, Inc.* v. *Amazon.com, Inc.*, No. C15-311, 2015 U.S. Dist. LEXIS 90004, at *7 (W.D. Wash. July 9, 2015) (granting judgment on the pleadings based on analogy at pleadings stage between computer farming and military processes); *TDE Petroleum Data Solutions, Inc.* v. *AKM Enterprise, Inc.*, No. H-15-1821, 2015 U.S. Dist. LEXIS 121123, at *21 (S.D. Tex. Sep. 11, 2015) (granting motion to dismiss based on factual determination of insufficient connection to a computer), affirmed 657 F. App'x 991 (2016).

[4] *Alice* 134 S. Ct at 2353 ("[T]he parties filed cross-motions for summary judgment on whether the asserted claims are eligible for patent protection under 35 U.S.C. §101."); *Mayo*, 566 U.S. 66, 76 ("[T]he District Court ultimately granted summary judgment in Mayo's favor.").

half of all motions for dismissal on the pleadings under § 101 succeed.[5] Indeed, of the more than 520 opinions during that time that have cited 35 U.S.C. 101 and contained the term "abstract idea,"[6] many of these have resolved a patentee's claim on the pleadings. This is a new phenomenon: *no* district court in the two years prior to *Mayo* granted such relief at that stage. Indeed, the issue was almost never considered.[7]

In short, even though *Alice* and *Mayo* were decided on summary judgment motions, they have been misinterpreted to allow determinations of disputed facts by judges based on the pleadings. As one commentator put it, the consequence is that judges themselves are resolving disputed factual issues—"looking beyond the allegations in the complaint" and making "historical observations about alleged longstanding commercial practices and deciding whether the claimed invention is analogous to such practices."[8] That shift deprives patentees not only of a trial on triable factual issues

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[5] See Robert R. Sachs, *Alice Brings A Mix of Gifts for the Holidays*, Bilski Blog (Dec. 23, 2016), available at: http://www.bilskiblog.com/blog/2016/12/alice-brings-a-mix-of-gifts-for-2016-holidays.html; Edward Tulin and Leslie Demers, *A Look At Post-Alice Rule 12 Motions Over The Last 2 Years*, Law360 (Jan. 27, 2017), available at: https://www.law360.com/articles/882111/a-look-at-post-alice-rule-12-motions-over-the-last-2-years.

[6] This is based on a search of published and unpublished opinions, examining Article III courts only.

[7] As before, this statement is based on a search of published and unpublished Article III opinions.

[8] David Boher, *In a Rush to Invalidate Patents at Pleadings Stage, Are Courts Coloring Outside the Lines?*, Patentlyo (July 1, 2015), available at: https://patentlyo.com/patent/2015/07/invalidate-pleadings-coloring.html.

and of the opportunity to defend their patents based on an adequate record.

Some courts and judges have acknowledged—trumpeted, even—that disputed issues of fact are being resolved at the pleadings stage, ignoring the obvious procedural and constitutional concerns with that practice. See, *e.g.*, *OIP Technologies*, 788 F.3d at 1364 (Mayer, J., concurring); *TDE Petroleum Data Sols.*, 2015 U.S. Dist. LEXIS 121123, at *21. Even former Chief Judge Mayer of the Federal Circuit recently acknowledged this trend, justifying it as a legitimate, efficient response to "vague and overbroad" patents. *OIP Technologies*, 788 F.3d at 1364 (Mayer, J., concurring).

B. Just as invalidation via *inter partes* review violates a patent holder's Seventh Amendment right to jury trial, so too does invalidation via judicial fact-finding on questions bearing on eligibility.

As noted, the trend of lower courts deciding disputed factual questions bearing on patent eligibility without a jury extends *Alice* and *Mayo* beyond their apparent intent. And extending these decisions to let courts resolve factual questions as if they were legal questions violates the Seventh Amendment.

1. As noted above, *both* steps in the two-part *Alice*/*Mayo* inquiry go to whether the invention is "useful" under 35 U.S.C. 101. As to the first step, the very definition of an "abstract idea" is one that lacks any "tangible embodiment."[9] Thus, what differentiates a useful innovation from an abstract idea is its concrete

[9] Black's Law Dictionary 11 (10th ed. 2014).

application. As to the second step, as explained in *Alice*, an invention has "to supply a 'new and *useful*' application of the idea in order to be patent eligible." 134 S. Ct. at 2357 (quoting *Benson*, 409 U.S at 67).

Usefulness is a quintessential issue of fact. To take just one example, whether searching an internet database for cases based on their citations is a new and useful application of the case reporter system is a question of fact. The answer to that question may be disputed by the parties, and therefore the finder of fact—the jury if requested—must decide it. The question is not a legal one answerable on pleadings alone.

2. The history of the founding and pre-founding eras also establishes that, like the invalidity issues in this case, the issue of usefulness—and any specific factual issues bearing on that issue—are fact issues for the jury. As this Court has noted, the Seventh Amendment preserves all the rights to trial by jury in civil cases that existed at the founding. U.S. Const. Amend. VII; *accord Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996) ("[T]he right of trial by jury thus preserved is the right which existed under the English common law when the Amendment was adopted.") (quoting *Baltimore & Carolina Line, Inc.* v. *Redman*, 295 U.S. 654, 657 (1935)).

As Petitioner and other *amici* note, moreover, under English common law, juries routinely decided whether an invention was useful, in addition to other validity-related issues.[10] For example, in the 1785 case

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[10] Pet. Br. 56 ("Juries likewise resolved numerous disputed questions of fact about patents, such as ... whether the invention was useful[.]"); Br. for H. T. Gómez-Arostegui and S. Bottomley as *amici curiae* in support of neither party ("Legal Historians Brief") at 16 (same).

Rex v. *Arkwright*, the prosecution claimed that the invention was of no use. I Decisions on the Law of Patents for Inventions 29, 39 (K.B. 1785) (Buller, J.) (charging jury). The King's Bench instructed the jury that one of the questions to be addressed was whether the invention was in fact useful. *Id.* (Buller, J.); see also *Hill* v. *Thompson*, I Decisions on the Law of Patents for Inventions 299, 301 (Ct. Chancery 1817) (charging jury). And this inquiry was sometimes searching: One jury concluded that an invention qualified as "useful" for some purposes but not others. *Haworth* v. *Hardcastle*, I Decisions on the Law of Patents for Inventions 485, 488–489 (Ct. Common Pleas, After Mich. Township 1833) (discussion between court and jury).

As noted in *Markman*, the historical evidence of practice at the founding can also be "buttressed" by American practice shortly afterward. 517 U.S. at 382. And several American cases following the Seventh Amendment's ratification reaffirm that juries were routinely instructed on usefulness, and therefore that usefulness—and all subsidiary factual questions—was considered a jury issue.

For example, as Circuit Justice in 1817, Justice Story instructed a patent jury that the plaintiff must show that his invention is "a useful invention." *Lowell* v. *Lewis*, 15 F. Cas. 1018 (C.C. Mass. 1817) (Story, J., Circuit Justice) (charging jury); see also *Earle* v. *Sawyer*, 8 F. Cas. 254, 256 (C.C.D. Mass. 1825) (Story, J., Circuit Justice) (charging jury that an invention "must also be useful, that is, it must not be noxious or mischievous, but capable of being applied to good purposes"). Three years later, Justice Washington gave similar jury instructions on usefulness. *Kneass* v.

Schuylkill Bank, 14 F. Cas. 746, 748 (C.C.D. Pa. 1820). (Washington, J., Circuit Justice) (charging jury).

In short, because juries ruled on usefulness at the founding, patentees today have a Seventh Amendment right to have juries decide similar questions today. This is true whether the overarching issue turns on *Alice* step one—whether a claimed invention contains or is based on an abstract idea—or *Alice* step two—whether the claimed invention provides a new and useful application of that idea.

It follows that the modern post-*Alice* trend described above—in which district courts routinely make their own factual assessments of a claimed invention's usefulness, even at the pleading stage—is a massive violation of patentees' Seventh Amendment rights. In both scope and importance, that violation of the Seventh Amendment is at least as significant as the violation Congress committed when it decided to lodge involuntary fact-finding authority as to other validity-related issues in the PTAB rather than in civil juries overseen by Article III courts.

II. The Court should rule in Petitioner's favor based at least in part on its Seventh Amendment claim.

The principle that the Seventh Amendment permits parties to demand jury trials on factual questions of the sort that would have been tried to a jury before and during the founding era is sufficient to resolve this case—regardless of how the Court resolves Petitioner's Article III arguments. And a decision from this Court relying on the Seventh Amendment to reject PTAB patent invalidations on *inter partes* review would go a long way to dispel the widespread misunderstanding in lower federal courts about the proper application of that Amendment in patent cases.

1. This Court has long held that the Seventh Amendment applies in a wide array of modern statutory contexts, "require[ing] a jury trial upon demand, if the statute creates legal rights and remedies, enforceable in an action for damages in the ordinary courts of law." *Curtis* v. *Loether*, 415 U.S. 189, 194 (1974). In so holding, the Court has also emphasized that the original "thrust of the Amendment was to preserve the right to jury trial as it existed in 1791[.]" *Id.* at 193. In many areas of law, application of the Seventh Amendment implies an "analog[y] to common-law causes of action ordinarily decided in English law courts in the late 18th century[.]" *Granfinanciera, S.A.* v. *Nordberg*, 492 U.S. 33, 42 (1989); see also *City of Monterey* v. *Del Monte Dunes at Monterey*, 526 U.S. 687, 708 (1999) (citing *Markman*, 517 U.S. at 376); *Tull* v. *United States*, 481 U.S. 412, 417 (1987).

As explained above, however—and as Petitioners' opening brief ably demonstrates, see Pet. Br. 51–57—no such analogy is necessary in the context of patent disputes. Factual issues related to patent validity have

been tried to juries under the common law since early in the 17th Century, including at the time of the founding. At a minimum, the factual questions that arise in modern patent litigation are the direct descendants of—and "close statutory analogues" to—patent questions that juries would have resolved in 1791. *Id.* at 57. Either way, patent litigation falls squarely within the ambit of the Seventh Amendment.

That history guarantees a right to jury trial as to most issues addressed in modern patent litigation, whether in the district courts or before the PTAB. As this Court explained in *Markman*, "there is no dispute that infringement cases"—including validity-related issues"—must be tried to a jury, as their predecessors were more than two centuries ago." 517 U.S. at 377. Although *claim construction* (like interpretation of other written instruments) is a legal question within the exclusive province of the court, *id.* at 372, 388, that can only mean that *factual* issues are reserved for the jury when parties request one.[11]

Ultimately, that undisputed principle is all this Court needs to resolve this case. If patent validity questions were tried to juries in 1791 as part of infringement cases (as they clearly were) and if, as this Court stated in *Markman*, "infringement cases today must be tried to a jury," 517 U.S. at 377, then it violates the Seventh Amendment to compel patentees to submit to *inter partes* review of patent validity with

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[11] See also *Teva Pharmaceuticals USA, Inc.* v. *Sandoz, Inc.*, 135 S. Ct. 831, 837–838 (2015) (resolution of factual issues may be necessary before claim construction, and are reviewed for clear error); *Dairy Queen, Inc.* v. *Wood*, 369 U.S. 469, 479 (1962) (plurality opinion) (noting Seventh Amendment right to have jury decide facts in equitable suit); *Beacon Theatres* v. *Westover*, 359 U.S. 500, 503–504 (1959) (same).

federal government officers sitting as triers of fact. It does so just as surely as subjecting patentees to summary dismissal based upon judge-created facts.

Moreover, the Seventh Amendment resolves this case whatever the appropriate resolution of the Article III issue raised by Petitioners. Applying well-settled Seventh Amendment principles here would break little new legal ground, if any. This Court, therefore, need take no position on the potentially broader, more complicated question of what types of disputes may be resolved by agencies rather than Article III courts.

2. Application of Seventh Amendment principles in this case will also deter the lower courts from ignoring patentees' jury rights in other contexts.

As explained above, lower courts systematically underenforce patentees' rights to jury trials by making factual findings without juries—concerning, for example, whether a patent claims an "abstract idea." What this suggests is that, much as the Federal Circuit long overlooked the distinction between review of legal and factual conclusions in patent cases, see *Teva Pharms.*, 135 S. Ct. 831, lower courts have forgotten that the Seventh Amendment prevents them from resolving disputed factual issues in patent cases just as in any other circumstance. The technical complexity of many patent cases is no excuse for resolving them in a way other than the one mandated by the Constitution.

Although patent eligibility is not directly at issue here, the Seventh Amendment aspects of this case present an opportunity to reiterate the need for lower courts to pay attention to jury trial rights in patent cases. Deciding this case on Seventh Amendment grounds thus promises to safeguard the Seventh Amendment rights of patent holders generally.

CONCLUSION

The decision below should be reversed, based on its violation of Petitioner's Seventh Amendment rights.

Respectfully submitted,

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